

RATES - SECTION D3

General Service Summary - Schedule 0

This Schedule develops reasonable general service per diem costs applicable to patients requiring nursing care.

Guideline References: Section C-3.5 and 3.6

General Service Costs are costs reported in Column G ("Expenses Applicable to Nursing Facility Care") on lines 2 through 10 of Reporting Schedule A in the block captioned "GENERAL SERVICES" Expenses applicable to residential or sheltered care are excluded.

The cost centers comprising "General Services" are

- Management
- Administrator
- Other Administrative
- Dietary
- Food
- Laundry and Linen
- Housekeeping
- Other General Services

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Equalized Costs are reported "expenses Applicable to NF Care" adjusted for fringe benefits and timing differences (inflation) between the fiscal year end of each home and the most recent December year end. (For homes with fiscal years ending in December, there are no inflation adjustments since reasonable limits are calculated based upon price levels experienced by homes with December year ends). Refer to Section D-1 above under "Rates for an outline of the process by which costs are equalized.

Fringed NF Costs are reported "expenses Applicable to Nursing Facility Care" plus applicable fringe benefits.). Refer to Section D-1 for an outline of the process by which Fringed NF Costs are calculated (fringed NF costs do not include adjustments for inflation).

Per Claim amounts are calculated by dividing dollars by actual NF patient days (excluding residential, etc. as reported by each NF.

Calculating Unreasonable Costs

Equalized Costs for each NF are compared with reasonable limits ("screens") developed from equalized base period cost data for proprietary and voluntary homes, per the Guidelines. Unreasonable ("excess") Equalized Costs are calculated and then converted to Fringed NF Costs so that each NF's rates are based upon its own reported data exclusive of the inflation adjustments made in equalizing its costs.

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For example, if on an equalized basis, 10% of costs are considered unreasonable, then 10% of Fringed NF Costs are then considered unreasonable. Or in other words, if Fringed NF Costs equal 97% of Equalized Costs, then excess Fringed NF Costs equal 97% of excess Equalized Costs.

Raw Food relates to the FOOD cost center expenses net of any "Dietary Adjustments" calculated for providing free and subsidized meals to employees as described in Section D-1 above. A separate screen is applied to these costs as set forth in Section D of the Guidelines.

Nonfood relates to all other General Services Costs exclusive of Food Administrator, Assistant Administrator and Management Costs.

Line F determines the amount of any Nonfood General Service excess.

The Guidelines also permit trade-offs between excess food costs and efficiencies in Nonfood General Service Costs. Accordingly, a credit may be entered if Nonfood General Service Costs are below the reasonable limit where an excess raw food cost is indicated. Any such credit is limited to the amount of raw food cost excess. It should be noted that this credit also adjusts for potential inequities in the FOOD screen created by the contracting of patient feeding.

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Legal Fees are expenses reported for allowable legal services included in Nonfood General Service. Line I determines the excess of Actual Costs over the reasonable limit. In calculation of the total General Services Challenge, the higher of Line I or Line F is used.

Administration includes the costs of Management, Administrator, and Assistant Administrator. Line L determines the excess costs of Administration.

Summary Including Food is calculated in terms of Fringed NF Costs as indicated on the form. The per diem amount on Line R is carried forward to Line A of the Rate Summary Schedule.

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RATES - SECTION D4

Building CFA and Taxes - Schedule P

Schedule P calculates the Capital Facility Allowance (CFA) for buildings and fixed equipment and reasonable building property taxes that are incorporated in rates.

Guidelines References: Section C-3.7, 3.8, 3.10 and 3.11

Nursing Facility Square Feet

This section shows total plant square feet applicable to nursing facility patients.

In accordance with Section C-3.11 of the Guidelines, "common" areas (applicable to both nursing and residential patients) are prorated to NF patients based upon the ratio of licensed NF beds to total beds.

Reasonable Appraised Value of Total NF Square Feet

The total of appraisals of building and additions, as determined by an agent designated by the State, is divided by total plant square feet to determine the appraised value per square foot. A single weighted limit for the entire NF is calculated based upon the square footage and the corresponding square footage and the corresponding construction cost factors of (a) the

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building as originally appraised and (b) the appraised additions. The lower of actual value per square foot or the reasonable limit is multiplied times total nursing facility square feet to determine the reasonable value of NF square feet.

Appraisal Limit

An appraisal limit is developed based on a combination of established limits for reasonable square feet per bed and reasonable value per square foot.

Reasonable Value and Area

This section determines the appraised value and area considered reasonable for Medicaid rate reimbursement purposes. The reasonable appraised value is determined at the lower of the reasonable value of total NF square feet and the appraisal limit. The percent of total appraisal is calculated by comparing the reasonable appraised value to the total appraised value. Then the reasonable area is determined by multiplying the percent of total appraisal by the NF feet. Excluded from the CFA are areas applicable to residential, etc., including an appropriate portion of common areas and areas in excess of the reasonable limit per bed.

The appraisals used are net of wear and tear.

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CFA

The building portion of the CFA is calculated in accordance with Section C-3.11 of the Guidelines. If there are appraised building additions, separate capital facility allowances are calculated for the building and each addition and the results combined.

Property Taxes

In accordance with Section C-3.7 of the Guidelines, building taxes included in rates are limited to those applicable to the reasonable appraised value of buildings as it relates to NF patients. The percentage of total appraised value is applied to the building taxes for this purpose.

Appeals

As mentioned in the Guidelines, the Medicaid program will review, on an individual basis, any inequities which owners believe are brought about by unusual circumstances over and above those which are not reasonably covered by the 10 percent tolerances permitted in developing screens.

Per Diem at Target Occupancy

The per diem amounts of these rate components are developed at a target occupancy of 95 percent in accordance with Section C-3.16 of the Guidelines. Target occupancy is 347 patient days per licensed bed, i.e., 95 percent of 365.25 days. For Class III NFs with a base period Medicaid occupancy of 80% or greater, target occupancy is 329 patient days per licensed bed, i.e., 90 percent of 365.25 days.

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RATES - SECTION D5

Land - Capital Facility Allowance and Taxes (Schedule O)

This Schedule develops the Capital Facilities Allowance (CFA) for land and reasonable property taxes on land.

Guideline References: Section C-3.7, 3.11, and 3.12

Appraised Value of Reasonable Area

The percentage of land area used in nursing operations that is considered reasonable in accordance with Section C-3.7 of the Guidelines is calculated. The land area for each NF is that reported by the appraiser designated by the State. If the actual land area is below the reasonableness limit, all of the area is considered reasonable.

The appraised value of the reasonable area is calculated by applying the percentage of land area considered reasonable to the total appraised value.

For example, if the actual area used in nursing operations is ten (10) acres and the reasonable limit is five (5) acres, then only 50 percent of the total appraised value of the land would be considered reasonable.

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Reasonable Appraised Value of Reasonable Area

After making any adjustments to the total appraised value owing to unreasonable land area, the appraised value of Reasonable Area is then tested for reasonableness in accordance with Section C-3.7 of the Guidelines. The Reasonable Appraised Value of the land used in nursing operations is determined.

This value is then prorated to NF patients based upon the ratio of LTC Beds to Total Beds in accordance with Section C-3.12 of the Guidelines. The resulting Reasonable Appraised Value for NF Patients serves as the basis for:

- determining reasonable land property taxes as they relate to NF patients
- calculating the CFA for land.

Reasonable Property Taxes

The portion of total land property land property taxes that is reasonable for inclusion in rates for NF patients is calculated. The net effect is to exclude on a pro rata basis any land taxes relating to:

- areas not used in nursing operations as determined by the appraiser designated by the State

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- unreasonable land area used in nursing operations
- unreasonable appraised values of reasonable land area
- the prorata share of land area and value that is allocable to other than NF patients.

It should be noted that tax rates themselves are not addressed with respect to their reasonableness--only values to which they are applied.

CFA - Land

In accordance with the Guidelines, the Capital Facility Allowance for Land is calculated at the Reasonable Appraised Value for NF Patients times the applicable rate developed per section 3.11(f)1. If there are more than one appraised land acquisitions, a separate capital facility allowance is calculated for each, and the results combined.

Per Diem Amounts at Target Occupancy

As with the comparable building components, the per diem amounts are developed at a target occupancy of 95 percent, or 347 days per licensed bed, or for Class III NFs with a base period Medicaid occupancy of 80% or greater, at 90%, or 329 days per licensed bed. It should be noted that tax rates themselves are not addressed with respect to their reasonableness - only the areas and values to which they are applied.

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